Office of the Auditor General of Canada

2014–15 Estimates

Performance Report

Approved

Original signed by

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

Original signed by

The Honourable William F. Morneau, P.C., M.P.
Minister of Finance

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Message from the Auditor General of Canada

I am pleased to present the 2014–15 Performance Report of the Office of the Auditor General of Canada.

The Office had four strategic priorities for the 2014–15 fiscal year:

- ensuring the selection and continuance of audit products likely to have significant impact and value;
- ensuring effective, efficient, and accountable Office governance and management;
- ensuring compliance of audit products with professional standards and Office policies in an economical manner; and
- ensuring a culture of empowerment.

Our progress in addressing each of these priorities during the 2014–15 fiscal year is highlighted in exhibits 2 through 5 of this report. We are continuing our efforts in each of these four areas.

The four strategic priorities listed above were taken from our strategic plan, which we renewed in the 2013–14 fiscal year. We reviewed our performance indicators in the 2014–15 fiscal year, and we are reporting on our new performance indicators in this report. Our strategic objectives, related indicators and targets, and fiscal year results are summarized in Exhibit 10. A discussion of the targets that we did not meet follows the table.

Our strategic outcome is to contribute to well-managed government programs and better government accountability to Parliament through our legislative audit work. This year, in pursuit of this outcome, we delivered 87 financial audits, 25 performance audits, 3 special examinations, and 2 case reports under the *Public Servants Disclosure Protection Act*. We also substantially completed our audit of senators' expenses, which we delivered in early June 2015.

In completing all of this work, we used $81.8 million of the $85.8 million in parliamentary authorities available to us, and 547 of the 565 planned full-time equivalent employees. Our audited financial statements can be found beginning on page 17 of this Performance Report. Additional disclosures about our travel, hospitality, and other expenses can be found on our website.

I thank all staff of the Office of the Auditor General of Canada for their dedication to the Office, the enthusiasm they bring to their jobs, and their commitment to serving Parliament and Canadians.

Original signed by

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada
10 September 2015

Section I—Overview

Organizational profile

Year established: 1878

Auditor General: Michael Ferguson, CPA, CA, FCA (New Brunswick)

Main legislative authorities:

Auditor General Act, R.S.C. 1985, c. A-17

Financial Administration Act, R.S.C. 1985, c. F-11

Minister: The Honourable William F. Morneau, P.C., M.P., Minister of Finance

The Auditor General of Canada acts independently in the execution of his audit responsibilities, but reports to Parliament on expenditures through the Minister of Finance.

Raison d'être

The Office of the Auditor General of Canada is the legislative auditor of the federal government. We are also the legislative auditor of the three territories (Nunavut, Yukon, and the Northwest Territories). The Auditor General is an Officer of Parliament who is independent from the government and reports directly to Parliament. The Commissioner of the Environment and Sustainable Development assists the Auditor General in performing duties related to the environment and sustainable development. Our independent audits and studies provide objective information, advice, and assurance to Parliament, territorial legislatures, Crown corporations' boards of directors, governments, and Canadians. With our reports and testimony at parliamentary hearings, we assist Parliament and territorial legislatures in their work on the authorization and oversight of government spending and operations.

Responsibilities

Financial audits of Crown corporations, federal and territorial governments, and other organizations

We audit the summary financial statements of the Government of Canada and each of the three territories, as well as the financial statements of federal and territorial Crown corporations and other organizations. Our financial audits provide assurance that financial statements are presented fairly in accordance with the applicable financial reporting framework. Where required, we provide assurance that the organizations we audit comply, in all significant respects, with legislative authorities that are relevant to a financial audit.

If issues or opportunities for improvement in areas such as financial reporting and internal controls come to our attention during our financial audit work, we make recommendations to management. We also provide information and advice to help audit committees meet their responsibilities for the oversight of financial reporting and internal control.

Performance audits and studies of departments and agencies

Performance audits examine, against established criteria, whether government programs are being managed with due regard to economy, efficiency, and environmental impact, and whether the government has the means to measure and report on their effectiveness. Our reports contain recommendations for improving program management.

The *Auditor General Act* gives the Office of the Auditor General of Canada (the Office) the discretion to determine what areas of government it will examine in its performance audits. We may decide to audit a single government program or activity, an area of responsibility that involves several departments or agencies, or an issue that affects many departments and agencies. We consider requests for audits that we receive from parliamentary committees. However, the final decision about what to audit is made by the Auditor General.

Special examinations of Crown corporations

Our special examinations assess the systems and practices maintained by Crown corporations. A special examination provides the corporation's board of directors with an opinion on whether there is reasonable assurance that there are no significant deficiencies in the corporation's systems and practices that we selected for examination. These examinations focus on whether a corporation's systems and practices provide reasonable assurance that

- its assets are safeguarded and controlled,
- its resources are managed economically and efficiently, and
- its operations are carried out effectively.

In addition to reporting on significant deficiencies, our special examinations highlight systems and practices that contribute to success, and they provide information and recommendations to boards of directors about opportunities for improvement.

All parent Crown corporations except two are subject to a special examination by the Office to be conducted at least once every 10 years. The two exceptions are the Bank of Canada, which is exempt from this requirement, and the Canada Pension Plan Investment Board, which (under the *Canada Pension Plan Investment Board Act*) is subject to a special examination by an auditor who is chosen by the board of directors.

Sustainable development activities

The Commissioner of the Environment and Sustainable Development monitors the sustainable development strategies of federal departments. The Commissioner assesses the quality of these strategies and examines whether the plans set out in the strategies have been implemented. The Commissioner also reports to Parliament on the fairness of the information in the progress report that the federal government provides on the Federal Sustainable Development Strategy.

The Commissioner of the Environment and Sustainable Development conducts performance audits to monitor the government's management of environmental and sustainable development issues and, on behalf of the Auditor General, reports to Parliament on issues that should be brought to its attention.

The Commissioner of the Environment and Sustainable Development also administers the environmental petitions process, as required by the *Auditor General Act*. This includes monitoring responses to environmental petitions and reporting annually to Parliament on petition activities from the previous year, including instances in which ministers did not respond to petitions within the 120-day time limit specified in legislation. The Office considers issues raised in petitions when it plans future audits.

Public Servants Disclosure Protection Act investigations

Under the *Public Servants Disclosure Protection Act*, the Auditor General has the mandate to investigate disclosures by public servants of wrongdoing that concerns the Office of the Public Sector Integrity Commissioner of Canada. If we determine that allegations of wrongdoing are founded, we must submit a case report to Parliament.

Other activities

Contributing to the profession

The Office of the Auditor General of Canada (the Office) works with other legislative audit offices and professional associations, such as Chartered Professional Accountants of Canada and the International Public Sector Accounting Standards Board, to advance legislative auditing methodology, accounting and auditing standards, and best practices.

Canada is one of 192 member countries in the International Organization of Supreme Audit Institutions (INTOSAI)—an umbrella organization for the external government auditing community. The Office participates in a number of its working groups and subcommittees.

We also regularly participate in external peer reviews of other national legislative audit offices and are the subject of external peer reviews.

Building capabilities and professional capacities of audit offices

During the 2014–15 fiscal year, the Office continued its efforts to help build capacity in the Mali audit institution through a partnership with Foreign Affairs, Trade and Development Canada (DFATD). We also provided training to auditors from other national audit offices through a DFATD-funded program administered by CCAF-FCVI (formerly named the Canadian Comprehensive Auditing Foundation).

Promoting better managed and accountable international institutions

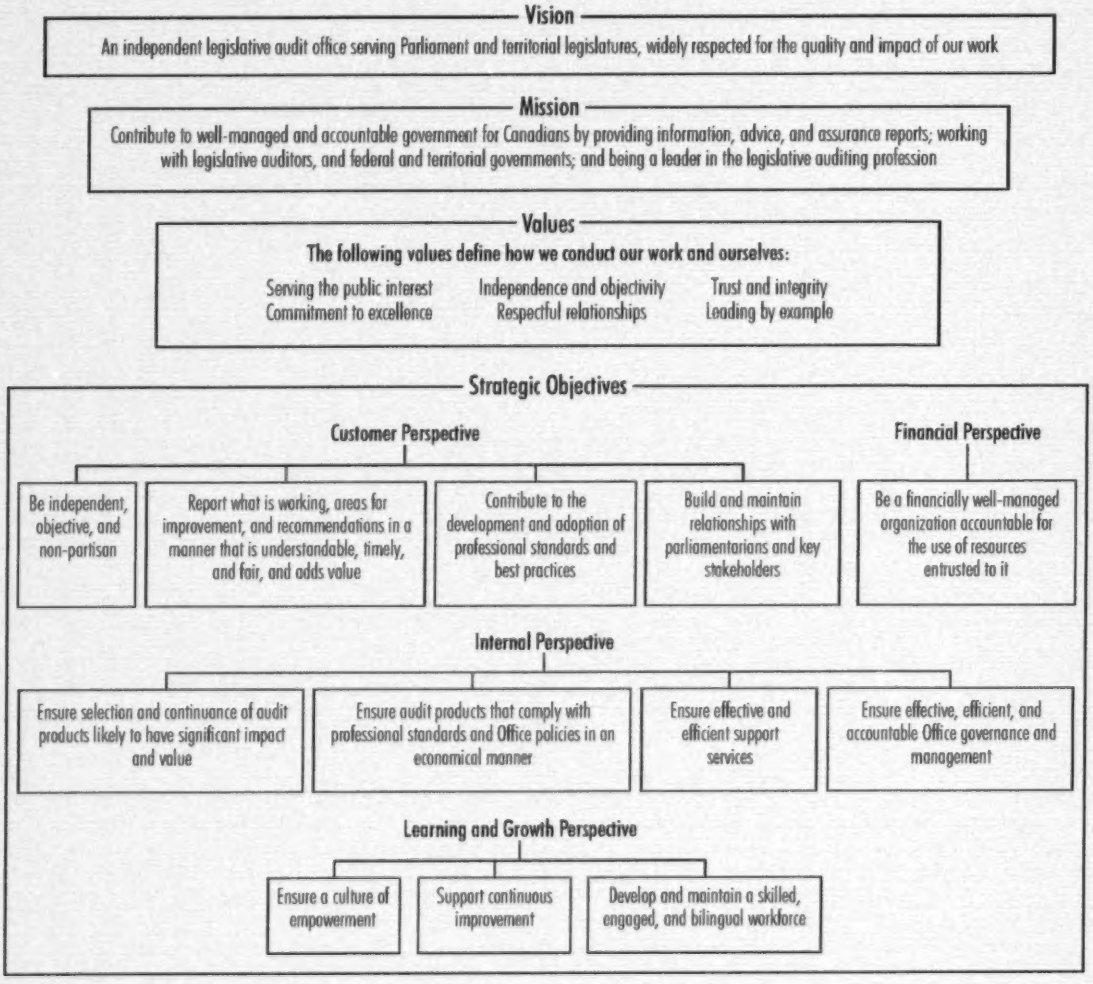
The Office is the external auditor of the International Labour Organization until December 2015. In past years, the Office was the external auditor of a number of United Nations organizations. Since January 2014, the Auditor General has chaired the UN Panel of External Auditors. A representative from the Office chairs the Technical Group of the Panel.

Strategic outcome and organizational priorities

The strategic outcome of the Office of the Auditor General of Canada (the Office) is to contribute to well-managed government programs and better government accountability to Parliament through our legislative auditing work.

Our strategic framework articulates the objectives that we use to set our priorities, assess our performance, and support the continuous improvement of the Office (Exhibit 1).

Exhibit 1—Strategic Framework of the Office of the Auditor General of Canada


Vision
An independent legislative audit office serving Parliament and territorial legislatures, widely respected for the quality and impact of our work
Mission
Contribute to well-managed and accountable government for Canadians by providing information, advice, and assurance reports; working with legislative auditors, and federal and territorial governments; and being a leader in the legislative auditing profession
Values
The following values define how we conduct our work and ourselves:
Serving the public interest
Commitment to excellence
Independence and objectivity
Respectful relationships
Trust and integrity
Leading by example
Strategic Objectives
Customer Perspective
Be independent, objective, and non-partisan
Report what is working, areas for improvement, and recommendations in a manner that is understandable, timely, and fair, and adds value
Contribute to the development and adoption of professional standards and best practices
Build and maintain relationships with parliamentarians and key stakeholders
Financial Perspective
Be a financially well-managed organization accountable for the use of resources entrusted to it
Internal Perspective
Ensure selection and continuance of audit products likely to have significant impact and value
Ensure audit products that comply with professional standards and Office policies in an economical manner
Ensure effective and efficient support services
Ensure effective, efficient, and accountable Office governance and management
Learning and Growth Perspective
Ensure a culture of empowerment
Support continuous improvement
Develop and maintain a skilled, engaged, and bilingual workforce

For the 2014–15 fiscal year, we identified four areas for improvement as our priorities (exhibits 2 to 5):

- ensuring the selection and continuance of audit products likely to have significant impact and value;
- ensuring effective, efficient, and accountable Office governance and management;
- ensuring compliance of audit products with professional standards and Office policies in an economical manner; and
- ensuring a culture of empowerment.

Exhibit 2—Progress on strategic objective: Audit selection

Strategic objective
Ensure selection and continuance of audit products likely to have significant impact and value.
Description
Maximize the value of our audits for our clients, including parliamentarians, territorial legislators, boards of directors, and audit committees.
Progress
We developed guidance to auditors for articulating the anticipated value of their planned performance audits and for gathering data on value achieved at the conclusion of the audit. We began to implement this guidance with the audits we presented to Parliament in spring 2015. We also began to design a summary report with information on the value of our financial audit work.

Exhibit 3—Progress on strategic objective: Office governance and management

Strategic objective
Ensure effective, efficient, and accountable Office governance and management.
Description
Make our governance and decision-making practices as efficient and economical as possible, locating decision-making authority at the most appropriate level in the organization.
Progress
In 2014, we reviewed the structure of our executive committee, as well as the roles and responsibilities of our senior managers in audit operations. We put a plan in place to reduce the size of our executive committee, and defined new roles and responsibilities for audit senior management. We began implementing these new roles and responsibilities in 2015, with the goal of having them fully operational by 1 January 2016. We also began a review of our governance framework.

Exhibit 4—Progress on strategic objective: Compliance with standards and Office policies

Strategic objective
Ensure compliance of audit products with professional standards and Office policies in an economical manner.
Description
Having renewed our audit methodology, implement it as efficiently and economically as possible.
Progress
We developed and implemented a new approach for auditing small entities, along with a supporting package of electronic file documentation, for our financial auditors. We implemented more standardized audit documentation so that financial auditors can document their work more efficiently.

Exhibit 5—Progress on strategic objective: Empowerment

Strategic objective
Ensure a culture of empowerment.
Description
One of the desired results of the new roles and responsibilities for senior management is that decision making occurs at the most appropriate level in the organization. To achieve this, our employees must be empowered to make decisions about their work.
Progress
We conducted a survey of employees to determine their sense of empowerment. We have prepared a working definition of empowerment and are developing an action plan to address the survey results.
We consulted extensively with senior auditors during the development of the new roles and responsibilities. The new roles and responsibilities have been designed to address the senior auditors' suggestions about empowerment.
We developed and implemented a change management plan to monitor the implementation of the new roles and responsibilities. The plan includes the creation of an employee contact group to provide regular feedback to the Change Management Team.
We also undertook a training gap analysis to identify opportunities to support our staff in adopting the new roles and responsibilities.

Expenditure summary

The Office reports information about its expenditures on its website. This information includes all travel and hospitality expenses of the Auditor General, the Commissioner of the Environment and Sustainable Development, and all assistant auditors general. It also includes information about contracts valued at more than $10,000, quarterly financial reports, and annual audited financial statements.

Net cost of operations and related government funding

For the 2014–15 fiscal year, the Office's net cost of operations was $92.4 million, compared with planned spending of $95.2 million. Details of our spending for the 2014–15 fiscal year can be seen in the statement of operations in our audited financial statements, which begin on page 17 of this Performance Report. The net cost of operations was funded by parliamentary authorities and by services provided without charge from other government departments. In the 2014–15 fiscal year, we used $79.6 million of parliamentary authorities, and we received $12.6 million in services provided without charge from other government departments.

Parliamentary authorities provided and used

Parliament provided the Office with up to $85.8 million in parliamentary authorities, which consisted of $77.7 million in Main Estimates authorities and $8.1 million in adjustments and transfers that for the most part are routine in nature, such as carry-forward funding, economic salary increases, parental leave benefits, and severance payments (Exhibit 6). Exceptionally this year, the adjustments also included $2.2 million for the one-time implementation of the new salary-in-arrears payment schedule.

Exhibit 6—Authorities provided and used (millions of dollars)

Authorities provided			Authorities used[1]		
Main Estimates	Adjustments	Total authorities available for use in 2014–15	2014–15	2013–14	2012–13
77.7	8.1	85.8	81.8	84.3	88.2

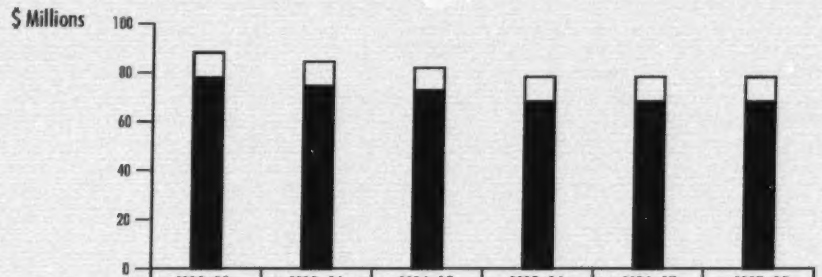
[1] The Office receives most of its funding through parliamentary authorities. Items recognized in the statement of operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the Office has different results for the year on a government funding basis (i.e. a $4.0 million lapse in authorities used) than on an accrual accounting basis (i.e. a $200,000 deficit from operations).

Our financial statements indicate that we used $79.6 million of authorities; however, that was after deducting the $2.2 million for the new salary-in-arrears payment schedule. Therefore $81.8 million was charged against our total parliamentary authorities of $85.8 million. This resulted in the Office lapsing $4.0 million of the parliamentary authorities provided in the 2014–15 fiscal year. The Office may carry forward lapsed amounts of up to five percent of its operating budget (based on Main Estimates program expenditures) into the next fiscal year, subject to parliamentary approval.

The basis to determine parliamentary authorities used is not the same as the accrual accounting basis used to record the cost of operations in our financial statements. Some items recognized as expenses on the statement of operations were funded in prior years (for example, the annual amortization of capital assets). Other items will be funded by future years' authorities (for example, post-employment benefits and compensated absences). These differences resulted in an annual deficit of $200,000 being recorded in our financial statements for the 2014–15 fiscal year.

Exhibit 7 shows the trend in our spending based on parliamentary authorities used, a decrease that reflects the planned reductions from our Strategic and Operating Review proposal.

Exhibit 7—Trend in authorities used



	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18
Sunset programs—anticipated	0	0	0	0	0	0
Statutory	10.1	9.8	9.1	10.0	10.0	9.9
Voted	78.1	74.5	72.7	68.3	68.3	68.2

Note: Amounts for the 2015–18 fiscal years reflect parliamentary authorities provided through Main Estimates.

Expenditures by vote

For information on the Office's organizational votes and statutory expenditures, consult the *Public Accounts of Canada 2015*, which is available on the Public Works and Government Services Canada website.

Planned spending

Exhibit 8 lists our planned and actual net cost of operations for the 2014–15 fiscal year, along with our planned net cost of operations for the next two fiscal years.

Exhibit 8—Planned and actual spending (millions of dollars)

Planned 2014–15	Actual 2014–15	Planned 2015–16	Planned 2016–17
95.2	92.4	94.4	94.7

Human resources

The Office used 547 of its planned 565 full-time equivalent employees (Exhibit 9).

Exhibit 9—Human resources (full-time equivalents)

2014–15 Planned	2014–15 Actual
565	547

Section II—Performance Analysis

In the 2014–15 fiscal year, the Office of the Auditor General of Canada (the Office) completed

- 87 financial audits of the federal government, territorial governments, and Crown corporations;
- 16 performance audits of government activities and programs from the Auditor General to Parliament;
- 5 performance audits from the Commissioner of the Environment and Sustainable Development, including a report on departmental progress in implementing sustainable development strategies;
- the Commissioner's annual report on environmental petitions;
- 3 performance audits reported to northern legislatures;
- 2 case reports under the *Public Servants Disclosure Protection Act;* and
- 3 special examinations of Crown corporations.

The report of our audit of senators' expenses, planned for delivery in December 2014, was delivered to the Senate of Canada in June 2015.

The performance audits and special examinations planned for in our 2014–15 Report on Plans and Priorities are listed in Section III—Supplementary Information, along with their planned and actual reporting dates.

We renewed our strategic plan in the 2013–14 fiscal year. In the 2014–15 fiscal year, we reviewed the performance indicators that we use to monitor our progress and report to Parliament on our new strategic objectives. We have used our new performance indicators in this report. Exhibit 10 summarizes our performance measures and current results.

Exhibit 10—Performance measures and results for the 2014–15 fiscal year

Strategic objective	Indicators	Target	Results for the 2014–15 fiscal year	Discussion of targets not met
1. Be independent, objective, and non-partisan.	Percentage compliance with professional standards and Office policies for independence	100%	Target met	
	Number of founded complaints and allegations regarding failure to comply with professional standards, legal and regulatory requirements, or the Office's system of quality control	None	Target met	

Exhibit 10—Performance measures and results for the 2014–15 fiscal year (continued)

Strategic objective	Indicators	Target	Results for the 2014–15 fiscal year	Discussion of targets not met
2. Report what is working, areas for improvement, and recommendations in a manner that is understandable, timely, and fair, and adds value.	Percentage of users who find that our audits are understandable, timely, and fair, and add value:			
	• audit committee chairs	90%	Target met	
	• parliamentarians	90%	Not measured	See **Parliamentary feedback**, p. 15
	• Crown corporation board chairs	90%	Target met	
	Percentage of senior managers who find that our audits are understandable, timely, and fair, and add value:			
	• financial audits	80%	Target met	
	• performance audits	80%	59%	See **Senior managers' feedback**, p. 15
	• special examinations	80%	0%	See **Senior managers' feedback**, p. 15
	Percentage of reports to Parliament that are reviewed by parliamentary committees	65%	32%	See **Parliamentary engagement**, p. 15
	Percentage of audits that meet statutory deadlines, where applicable, or our planned reporting dates	100% for financial audits with a statutory deadline and for special examinations	96%	Two audits not completed by their statutory deadline[1]
		80% for financial audits of federal organizations with no statutory deadline, for financial audits of territorial organizations, and for performance audits	Target met	

[1] Audits of the Canadian Forces Pension Plan and the Reserve Forces Pension Plan were not completed by their statutory deadlines.

Exhibit 10—Performance measures and results for the 2014–15 fiscal year (continued)

Strategic objective	Indicators	Target	Results for the 2014–15 fiscal year	Discussion of targets not met
3. Contribute to the development and adoption of professional standards and best practices.	For financial audits, percentage of qualifications and "other matters" that are addressed from one report to the next	100%	50%	See **Adoption in financial audits**, pp. 15–16
	For performance audits, percentage of issues examined in our follow-up audits for which progress is assessed as satisfactory	75%	Target met	
	For special examinations, percentage of significant deficiencies that are addressed from one examination to the next	100%	Target met	
4. Build and maintain relationships with parliamentarians and key stakeholders.	Development of a relationship management plan and related objectives	1 January 2016	In development	
5. Be a financially well-managed organization accountable for the use of resources entrusted to it.	Percentage compliance with financial management and reporting requirements	100%	99%	5 contracts (of 472 issued) were finalized after work had begun
6. Ensure selection and continuance of audit products likely to have significant impact and value.	Completion of initiatives to improve performance audit planning, value assessment, and value measures	1 November 2015	Planning and assessment initiatives completed. Value measures are in development.	
	Completion of a continuance review of financial audits	31 December 2015	Planned for fall 2015	
	Completion of a report informing Parliament of the impact and value of our financial audit work	Spring 2017	In development	

Exhibit 10—Performance measures and results for the 2014–15 fiscal year (continued)

Strategic objective	Indicators	Target	Results for the 2014–15 fiscal year	Discussion of targets not met
7. Ensure compliance of audit products with professional standards and Office policies in an economical manner.	Percentage of internal practice reviews that find the opinions and conclusions expressed in our audit reports to be appropriate and supported by the evidence	100%	Target met	
	Percentage of internal and external reviews that find our practitioners complied with professional standards	100%	Target met	
	Percentage of internal and external reviews that find our System of Quality Control is suitably designed and operating effectively	100%	Target met	
	Percentage of audits that are completed on budget	80%	Target met for financial audits and performance audits	
			67% for special examinations	Not met for special examination of Royal Canadian Mint
8. Ensure effective and efficient support services.	Percentage of internal service standards met	Review and identify standards for all major services by 31 December 2015	In development	
9. Ensure effective, efficient, and accountable Office governance and management.	Full implementation of new senior audit roles and responsibilities	1 January 2016	All implementation projects progressing well	
	Implementation of revised governance framework	1 January 2016	In development	
10. Ensure a culture of empowerment.	Development of an action plan to respond to gaps identified by the empowerment survey	30 June 2015	Target met	
11. Support continuous improvement.	Percentage of initiatives to address strategic priorities that are completed on time	90%	Target met	
12. Develop and maintain a skilled, engaged, and bilingual workforce.	Development or renewal of indicators of a skilled, engaged, and bilingual workforce	31 December 2015	In development	

Performance indicators for which targets were not met or performance was not measured

The following discusses, by strategic objective, the performance indicators for which we did not meet our targets or, in one case, where we did not measure our performance.

Strategic Objective 2—Report what is working, areas for improvement, and recommendations in a manner that is understandable, timely, and fair, and adds value

Parliamentary feedback. We did not survey members of Parliament this year; therefore, we cannot report this assessment of the value of our work. However, we meet annually with the Standing Committee on Public Accounts to discuss our plans and review our performance. In our most recent meeting, the Chair of the Standing Committee provided the following endorsement of our work: "We want to reflect to you how much Canadian people appreciate and respect the work that your Office does and its importance."

Parliamentary engagement. When we and senior representatives of the organizations we audit appear before parliamentary committees, the value of our work increases. In the 2014–15 fiscal year, Parliamentary committees reviewed 32 percent of our reports. This reflects an increase from 24 percent in the 2013–14 fiscal year and from 30 percent in the 2012–13 fiscal year, although it is below our target of 65 percent. In total, we participated in 21 parliamentary committee hearings and briefings on our audit work. The number of times we appeared before the Standing Committee on Public Accounts—the primary client for our work—increased noticeably compared with the previous two years.

Senior managers' feedback. Among senior managers of organizations subject to performance audits, 59 percent either "agreed" or "strongly agreed" that our audit reports were understandable and fair, and added value. This result was below our target of 80 percent. Results for the past four years have ranged between 74 and 79 percent. While a review of individual responses indicates that this result is more neutral than negative, we are analyzing the responses in detail to understand what may have caused this change in perception, and whether action on our part is required.

For the three special examinations we completed this year, only one senior manager responded to our survey. The manager neither agreed nor disagreed that our examination added value.

Strategic Objective 3—Contribute to the development and adoption of professional standards and best practices

Adoption in financial audits. For our financial audits, we measure the adoption of professional standards and best practices by monitoring corrective action taken by the organizations we audit in response to qualifications and "other matters" contained in our audit reports. Our indicator is the percentage of qualifications and "other matters" that are addressed from one report to the next. Although we do not control whether organizations respond to our findings, our target is that they address them all.

In our financial audit reports, there are three possible types of qualifications: the financial statements are materially misstated (qualified opinion or adverse opinion); the auditors are unable to obtain sufficient appropriate audit evidence (qualified opinion or disclaimer of opinion); and the organization fails to comply with legislative authorities. Our reports may also include "other matters"—for example, comments concerning an organization's financial sustainability or ability to fulfill its mandate.

Exhibit 11 summarizes the qualifications and "other matters" in the financial audit reports we issued in the 2013–14 fiscal year and whether or not they were addressed in the 2014–15 fiscal year.

Exhibit 11—Qualifications and "other matters" issued in the financial audit reports for the 2013–14 fiscal year and subsequently addressed

	Qualifications			Number of "other matters"	Total number of qualifications or "other matters"
	Inability to obtain sufficient appropriate audit evidence	Materially misstated financial statements	Compliance with authorities		
Issued	1	0	2	4	7
Addressed	0	0	0	3	3

Of the seven qualifications and "other matters" we reported in the 2013–14 fiscal year, one qualification was for an entity that has since been dissolved by the government. Three of six remaining qualifications and "other matters" (50 percent) were addressed in the 2014–15 fiscal year, compared with two of five remaining qualifications and "other matters" (40 percent) addressed in the 2013–14 fiscal year. The three qualifications that were not addressed arose in the territories. Two were matters of non-compliance with authorities and involved the late tabling of annual reports or financial statements. The third qualification concerned the audit entity's inability to supply sufficient and appropriate audit evidence for inventory. The audit entity expects to have inventory recorded for all sites within two years.

Section III—Supplementary Information

Financial statements

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Management of the Office of the Auditor General of Canada is responsible for the preparation of the accompanying financial statements for the year ended 31 March 2015 and for all information contained in these statements. These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Office's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Office's Departmental Performance Report, is consistent with these audited financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR), which is designed to provide reasonable assurance that financial information is reliable; that assets are safeguarded; and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through the careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communications aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Office; and through an annual assessment of the effectiveness of the system of internal control over financial reporting.

The system of ICFR is designed to mitigate risks to a reasonable level and may not prevent or detect all misstatements. It is based on an ongoing process designed to identify and prioritize key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The effectiveness and adequacy of the Office's system of internal control are reviewed through the work of internal audit staff who conduct periodic audits of different areas of the Office's operations. Also, financial services staff annually monitor internal control over financial reporting. As a basis for recommending approval of the financial statements to the Auditor General, the Office's Audit Committee reviews management's arrangements for internal controls and the accounting policies

employed by the Office for financial reporting purposes. The Audit Committee also meets independently with the Office's internal and external auditors to consider the results of their work.

A risk-based assessment of the system of internal control over financial reporting for the year ended 31 March 2015 was completed in accordance with the Treasury Board *Policy on Internal Control.* The results and action plans are summarized in the 2014–15 Annex to the Statement of Management Responsibility, Including Internal Control over Financial Reporting.[1]

Collins Barrow Ottawa LLP Chartered Professional Accountants, Licensed Public Accountants, the independent auditor for the Office of the Auditor General of Canada, has expressed an opinion on the fair presentation of the financial statements of the Office in conformity with Canadian public sector accounting standards, which does not include an audit opinion on the annual assessment of the effectiveness of the Office's internal control over financial reporting.

Original signed by

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

Original signed by

Sylvain Ricard, CPA, CA
Assistant Auditor General and
Chief Financial Officer

Ottawa, Canada
9 July 2015

[1]The annex can be found on the Office's website at www.oag-bvg.gc.ca

Independent Auditor's Report

To the Speaker of the House of Commons:

Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Auditor General of Canada, which comprise the statement of financial position as at 31 March 2015, and the statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Canada as at 31 March 2015, and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the transactions of the Office of the Auditor General of Canada that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations and the *Auditor General Act*.

Original signed by

Collins Barrow Ottawa LLP
Chartered Professional Accountants, Licensed Public Accountants

9 July 2015
Ottawa, Canada

Office of the Auditor General of Canada
Statement of Financial Position
as at 31 March

	2015	2014
	(in thousands of dollars)	
Financial assets		
Due from the Consolidated Revenue Fund	7,601	6,686
Accounts receivable	1,457	1,072
	9,058	7,758
Liabilities		
Accounts payable and accrued liabilities (note 4)	7,369	6,289
Vacation pay	3,697	3,612
Post-employment benefits and compensated absences (note 5)	9,698	9,799
	20,764	19,700
Net debt	(11,706)	(11,942)
Non-financial assets		
Tangible capital assets (note 6)	2,243	2,470
Prepaid expenses	184	371
	2,427	2,841
Accumulated deficit	(9,279)	(9,101)

Contractual obligations (note 11)

The accompanying notes are an integral part of these financial statements.

Approved by

Original signed by

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

Original signed by

Sylvain Ricard, CPA, CA
Assistant Auditor General and
Chief Financial Officer

Office of the Auditor General of Canada
Statement of Operations
for the year ended 31 March

	2015 Budget (Note 13)	2015 Actual	2014 Actual
		(in thousands of dollars)	
Expenses (note 7)			
Financial audits of Crown corporations, territorial governments, other organizations, and the summary financial statements of the Government of Canada	41,900	37,314	41,656
Performance audits and studies	39,100	43,633	41,205
Special examinations of Crown corporations	5,400	3,124	3,297
Sustainable development monitoring activities and environmental petitions	1,600	1,539	1,615
Professional practices (note 8)	8,100	7,950	9,513
Total cost of operations	96,100	93,560	97,286
Costs recovered			
International audits	900	1,007	1,023
Other	100	329	447
Costs recovered not available for use	(100)	(207)	(413)
Net costs recovered	900	1,129	1,057
Net cost of operations before government funding and transfers	95,200	92,431	96,229
Government funding and transfers			
Parliamentary authorities used (note 3)	82,900	81,863	84,265
Services provided without charge (note 9)	12,800	12,587	13,320
Transfer of the transition payments for implementing salary payments in arrears (note 10)	–	(2,197)	–
Total government funding and transfers	95,700	92,253	97,585
Annual surplus (deficit)	500	(178)	1,356
Accumulated deficit, beginning of year	(9,101)	(9,101)	(10,457)
Accumulated deficit, end of year	(8,601)	(9,279)	(9,101)

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Statement of Change in Net Debt
for the year ended 31 March

	2015 Budget (Note 13)	2015 Actual	2014 Actual
		(in thousands of dollars)	
Annual surplus (deficit)	500	(178)	1,356
Acquisitions of tangible capital assets	(400)	(675)	(1,420)
Amortization of tangible capital assets	700	881	751
Net loss on disposal of tangible capital assets	–	21	27
	800	49	714
Acquisition of prepaid expenses	–	(184)	(371)
Use of prepaid expenses	–	371	288
	–	187	(83)
Decrease in net debt, during the year	800	236	631
Net debt, beginning of year	(11,942)	(11,942)	(12,573)
Net debt, end of year	(11,142)	(11,706)	(11,942)

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Statement of Cash Flow
for the year ended 31 March

	2015	2014
	(in thousands of dollars)	
Operating transactions		
Cash paid for		
Employee salaries, wages, and benefits	(60,132)	(65,472)
Statutory contributions to employee benefit plans	(9,794)	(10,233)
Materials, supplies, and services	(10,183)	(10,041)
Transition payments for implementing salary payments in arrears (note 10)	(2,197)	–
Services provided by related parties	(1,601)	(1,920)
Other	(206)	(413)
	(84,113)	(88,079)
Cash received from		
Sales tax recovered	1,184	1,298
Salaries and benefits recovered	1,325	982
International audits	926	964
Other	405	607
	3,840	3,851
Parliamentary authorities used (note 3)	81,863	84,265
	85,703	88,116
Cash provided/(used) by operating transactions	1,590	37
Capital transactions		
Cash used to acquire tangible capital assets	(675)	(1,420)
Cash applied to capital transactions	(675)	(1,420)
Increase/(Decrease) in Due from the Consolidated Revenue Fund	915	(1,383)
Due from the Consolidated Revenue Fund, beginning of year	6,686	8,069
Due from the Consolidated Revenue Fund, end of year	7,601	6,686

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Notes to the financial statements for the year ended 31 March 2015

1. Authority and objective

The *Auditor General Act*, the *Financial Administration Act*, and a variety of other acts and orders-in-council set out the duties of the Auditor General and the Commissioner of the Environment and Sustainable Development. These duties relate to legislative auditing of federal departments and agencies, Crown corporations, territorial governments, other organizations, and one international organization.

The program activity of the Office of the Auditor General of Canada is legislative auditing and consists of performance audits and studies of departments and agencies; the audit of the summary financial statements of the Government of Canada; financial audits of Crown corporations, territorial governments, and other organizations; special examinations of Crown corporations; sustainable development monitoring activities and environmental petitions.

The Office is funded by the Government of Canada through parliamentary authorities and is not taxable under the provisions of the *Income Tax Act*.

Pursuant to the *Financial Administration Act*, the Office is a department of the Government of Canada for the purposes of that Act and is listed in Schedule I.1, and is a separate agency for the purposes of Schedule V.

2. Significant accounting policies

a) Basis of presentation

The financial statements of the Office have been prepared by management in accordance with Canadian public sector accounting standards.

b) Parliamentary authorities

The Office's annual parliamentary authorities are reported directly in the statement of operations in the fiscal year for which they are approved by Parliament and used by the Office.

c) Costs recovered

Costs recovered are from international audits, audit professional services provided to members of Canadian Council of Legislative Auditors (CCOLA) and other refunds and adjustments.

These costs are accounted for in the period services are rendered or in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Cost recoveries related to International Audits and to CCOLA become available for use when funds are received. Other refunds and adjustments are considered to be earned on behalf of the Government of Canada and are not available to discharge the Office's obligations. As a result, these recoveries are deducted as costs recovered not available for use.

d) Due from the Consolidated Revenue Fund

The financial transactions of the Office are processed through the Consolidated Revenue Fund of the Government of Canada. The "Due from the Consolidated Revenue Fund" balance represents the amount of cash that the Office is entitled to draw from the Consolidated Revenue Fund, without further parliamentary authorities, in order to discharge its liabilities.

e) Accounts receivable

Accounts receivable are stated at the lower of cost and amounts the Office is reasonably assured to receive; a provision for bad debts is made where recovery is considered uncertain.

f) Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. The Office capitalizes the costs associated with the development of software used internally including software licences, installation costs, professional service contract costs, and salary costs of employees directly associated with these projects. The costs of software maintenance, project management and administration, data conversion, and training and development are expensed in the year incurred.

Amortization of tangible capital assets begins when assets are put into use and is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Tangible capital assets	Useful life
Leasehold improvements	10 years
Informatics software	3 years
Furniture and fixtures	7 years
Informatics hardware and infrastructure	3 years
Office equipment	4 years
Motor vehicle	5 years

g) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities represent obligations of the Office for salary and wages, for material and supply purchases and for the cost of services rendered to the Office.

Salary-related accrued liabilities are determined using the employees' salary levels at year-end. Accounts payable and accrued liabilities are measured at cost.

h) Vacation pay

Vacation pay is expensed as benefits accrue to employees under their respective terms of employment using the employees' salary levels at year end.

i) Net debt

The net debt is calculated as the difference between liabilities and financial assets. Post-employment benefits, compensated absences and vacation pay liabilities represent the most significant component of net debt as these obligations are expected to be paid from future parliamentary authorities.

j) Accumulated deficit

The accumulated deficit represents liabilities incurred by the Office, net of tangible capital assets and prepaid expenses, that have not yet been funded through parliamentary authorities. Significant components of this amount are post-employment benefits, compensated absences, and vacation pay liabilities.

k) Pension benefits, post-employment benefits and compensated absences

i) Pension benefits

All eligible employees participate in the Public Service Pension Plan, a plan administered by the Government of Canada. The Office's contributions are currently based on a multiple of an employee's required contributions and may change over time, depending on the experience of the Plan. The Office's contributions are expensed during the year in which the services are rendered and represent its total pension obligation. The Office is not required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

ii) Post-employment benefits

The accumulation of severance benefits for employees ceased in the 2012–13 fiscal year. Management has determined the accrued benefit obligation using the employees' salary at year end and the number of weeks earned but unpaid for employees who have elected to defer the receipt of their full or partial severance benefits payment. The Office's severance benefits are not pre-funded and are expected to be paid from future parliamentary authorities.

iii) Compensated absences

Employees are entitled to sick leave benefits that accumulate but do not vest. The benefits are earned based on employee services rendered and are paid upon an illness- or injury-related absence. The obligation and the benefit expenses are actuarially determined and are recorded based on the expected future use of the benefits. The Office's compensated absences are expected to be paid from future parliamentary authorities.

Employees are entitled to maternity/parental leave benefits as provided for under labour contracts and conditions of employment. The benefits earned are event driven meaning the Office's obligation for the cost of the entire benefit arises upon occurrence of a specific event being the commencement of the maternity/parental leave. Management has determined the accrued benefit obligation and benefit expenses based on its best estimates. The unpaid portions of maternity/parental leave at year-end are expected to be paid from future parliamentary authorities.

l) Services provided without charge by other government departments

Services provided without charge by other government departments are recorded as operating expenses by the Office at their estimated cost. A corresponding amount is reported as government funding. These amounts include accommodation services provided by Public Works and Government Services Canada (PWGSC) and the employer's contribution to Public Service employee health, dental, disability and life insurance plans, which are administered through PWGSC and funded directly by the Treasury Board of Canada Secretariat.

m) Allocation of expenses

All direct expenses related to the delivery of audits and professional practice projects such as salary, professional services, travel, and other associated costs are allocated to each audit and professional practice project. All other expenses, including services provided without charge, are treated as overhead and allocated to audits and professional practices projects based on the direct staff cost charged to them.

n) Measurement uncertainty

These financial statements are prepared in accordance with Canadian public sector accounting standards. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of costs recovered, government funding and transfers, and expenses during the reporting period. Services provided without charge, amortization of tangible capital assets, and compensated absences are the most significant items for which estimates are used. Actual results could differ significantly from the estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Parliamentary authorities

The Office is funded through annual parliamentary authorities. Items recognized in the statement of operations in one year may be funded through parliamentary authorities in prior and future years.

The following is a reconciliation of authorities provided with current year authorities used:

	2015	2014
	(in thousands of dollars)	
Authorities:		
Voted—operating expenditures	76,707	78,458
Statutory contributions to employee benefit plans	9,112	9,837
Proceeds from disposal of tangible capital assets	11	–
Current year authorities provided	85,830	88,295
Less: Lapsed authorities	3,967	4,030
Current year authorities used	81,863	84,265

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are measured at cost.

The following table presents details of the Office's accounts payable and accrued liabilities:

	2015	2014
	(in thousands of dollars)	
Due to employees	6,071	3,963
Due to others	1,298	2,326
Total	7,369	6,289

5. Pension benefits, post-employment benefits and compensated absences

a) Pension benefits

The Office's eligible employees participate in the Public Service Pension Plan (the Plan), which is established and governed by the *Public Service Superannuation Act*, and sponsored and administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Office.

The plan provides pension benefits based on the number of years of pensionable service and salaries of the employees. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best 5 consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

The Office's contribution rate depends on the employee's start date and the salary level. Overall for the plan, for employment start dates before 1 January 2013, the employer's contribution rate is approximately 1.41 times (1.6 times in 2013–14) the employee's contribution; and for these employees, an unreduced pension benefit can be received at age 60 with at least 2 years of pensionable service (or age 55 with 30 years of service). For employment start dates after 31 December 2012, the employer's contribution rate is approximately 1.39 times (1.5 times in 2013–14) the employee's contribution; and an unreduced pension benefit can be received at age 65 with at least 2 years of pensionable service (or age 60 with 30 years of service).

The Office's expense in relation to the Plan in 2014–15 amounts to $6.2 million ($6.9 million in 2013–14). The Office's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

b) Post-employment benefits

The accumulation of severance benefits for employees under the severance program ceased in the 2012–13 fiscal year. Management has determined the accrued benefit obligation using the employee's salary at year end and the number of weeks earned but unpaid for employees who have elected to defer the receipt of their full or partial severance benefits payment.

c) Compensated absences

i) Sick leave benefits

Employees are credited, based on service, a maximum of 15 days annually for use as paid absences due to illness or injury. Employees are allowed to accumulate unused sick day credits each year. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment.

Each year, at 31 March, the Office obtains an actuarial valuation of its accrued benefit obligation. The actuarial assumptions are management's best estimates and are based on an analysis of the historical data up to the reporting date. The key assumptions are a discount rate of 1.52 percent, which is based on an average yield of government borrowings over the remaining life of the benefits (2.52 percent in 2014); an assumption of 3 percent for the annual rate of increase in salary for all Office employees (3 percent in 2014); and the selection of an assumed retirement age of 58 (58 used in 2014). The actuarial assumptions are revised annually.

ii) Maternity/parental leave benefits

The Office provides maternity/parental leave benefits as provided for under labour contracts and conditions of employment. Management determined the accrued benefit obligation and benefit expenses based on the difference between ninety-three per cent (93 percent) of the employee's weekly rate of pay and the maternity/parental leave benefit they are entitled to receive under the Employment Insurance or the Québec Parental Insurance Plan.

Information about post-employment benefits and compensated absences, measured as at 31 March, is presented in the following table.

	2015			2014
	Post-employment benefits	Compensated absences	Total post-employment benefits and compensated absences	Total post-employment benefits and compensated absences
	(in thousands of dollars)			
Accrued benefit obligation, beginning of year	5,251	4,548	9,799	10,823
Net benefit expense				
Current year benefit costs	41	2,080	2,121	2,271
Interest on the accrued benefit obligation	–	97	97	86
Amortization of actuarial losses	–	165	165	272
	41	2,342	2,383	2,629
Benefit payments	(656)	(1,828)	(2,484)	(3,653)
Accrued benefit obligation, end of year	4,636	5,062	9,698	9,799

6. Tangible capital assets

	Cost				Accumulated amortization				2015	2014
	Opening balance	Acquisitions	Disposals	Closing balance	Opening balance	Amortization	Disposals	Closing balance	Net book value	Net book value
	(in thousands of dollars)									
Leasehold improvements	3,477	42	–	3,519	2,988	99	–	3,087	432	489
Informatics software	3,655	414	24	4,045	2,591	415	24	2,982	1,063	1,064
Furniture and fixtures	4,480	40	50	4,470	4,289	59	29	4,319	151	191
Informatics hardware and infrastructure	1,556	179	248	1,487	998	249	248	999	488	558
Office equipment	972	–	24	948	823	54	24	853	95	149
Motor vehicle	24	–	–	24	5	5	–	10	14	19
Total	14,164	675	346	14,493	11,694	881	325	12,250	2,243	2,470

The net book value of tangible capital assets not being amortized because they are under development totals $32,000 ($582,000 in 2014) and is included within informatics software.

7. Expenses by object

Summary of expenses by object for the year ended 31 March are as follows:

	2015	2014
	(in thousands of dollars)	
Personnel	73,015	75,568
Rentals	8,774	9,264
Professional and special services	5,893	5,913
Transportation and communications	3,519	3,473
Small machinery and equipment	446	1,026
Amortization of tangible capital assets	881	751
Information	455	522
Repairs and maintenance	202	334
Utilities, materials and supplies	257	322
Interest on the accrued benefit obligation	97	86
Net loss on disposal of tangible capital assets	21	27
Total cost of operations	93,560	97,286

The total cost of operations includes services provided without charge by other government departments as explained in note 9 a).

8. Professional practices

The Office works with other legislative audit offices and professional associations, such as the Chartered Professional Accountants of Canada, to advance legislative audit methodology, accounting and auditing standards, and best practices. International activities include participation in organizations and events that have an impact on the Office's work as legislative auditors. Peer reviews include the cost of participating in peer reviews of other national legislative audit offices and being the subject of a peer review.

	2015	2014
	(in thousands of dollars)	
Methodology	4,623	5,903
International activities	1,478	1,767
Participation in standard-setting activities	821	802
Canadian Council of Legislative Auditors	911	942
Peer reviews	117	99
Professional practices	7,950	9,513

9. Related party transactions

The Office is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Office enters into transactions with these organizations in the normal course of business and on normal trade terms. As Parliament's auditor, the Office is mindful of its independence and objectivity when entering into any such transactions. The Office conducts independent audits and studies without charge to federal departments and agencies, Crown corporations, territorial governments, and other organizations.

a) Expenses

In 2015, the Office incurred expenses of $24 million ($25.5 million in 2014) and recovered expenses of $2.7 million ($2.5 million in 2014) from transactions in the normal course of business with other government departments, agencies, and Crown corporations. These expenses include the following services provided without charge, which are included in Expenses by object (note 7):

	2015	2014
	(in thousands of dollars)	
Office accommodation	7,668	8,233
Office's contribution to employee insurance plans	4,919	5,087
Services provided without charge	12,587	13,320

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common services organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in the Statement of Operations.

b) Accounts receivable and payable

As at 31 March, the accounts receivable and payable with other government departments, agencies, and Crown corporations are as follows:

	2015	2014
	(in thousands of dollars)	
Accounts receivable	827	579
Accounts payable	125	100

These amounts are included respectively in accounts receivable, and in accounts payable and accrued liabilities in the statement of financial position.

10. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014–15. As a result, a one-time payment was issued to employees which will be recovered from them in the future. This change to the pay system had no impact on the expenses of the Office. However, it did result in the use of additional parliamentary authorities by the Office. Prior to year end, the account receivable related to the transition payments for implementing salary payments in arrears was transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.

11. Contractual obligations

The nature of the Office's activities can result in contracts and obligations whereby the Office will be obligated to make future payments when the services/goods are received. Contractual obligations estimated as at 31 March 2015 are summarized as follows:

	2016	2017	2018	2019	2020 and thereafter	Total
			(in thousands of dollars)			
Goods and services	2,002	337	29	21	–	**2,389**
Professional services	616	109	47	28	–	**800**
Operating leases	168	168	168	168	41	**713**
Total	**2,786**	**614**	**244**	**217**	**41**	**3,902**

12. Financial instruments

The following analysis presents the Office's exposures to credit and liquidity risks at the reporting date.

a) Credit risk

The Office is exposed to low credit risk resulting from the possibility that parties may default on their financial obligations to the Office. Management believes the risk of loss on its accounts receivable balances to be low due to the credit quality of these parties. Accounts receivable balances are managed and analyzed on an ongoing basis. Accordingly, management believes that all amounts receivable will be collected and has determined that a provision for bad debts is not required.

b) Liquidity risk

Liquidity risk is the risk that the Office will encounter difficulty in meeting its obligation associated with financial liabilities. The Office's objective for managing liquidity risk is to manage operations and cash expenditures within the authorities approved by Parliament. Management believes this risk is low.

13. Budget figures

Budget figures have been provided for comparison purposes and have been derived from the 2014–15 planned spending figures included in the 2014–15 Report on Plans and Priorities.

14. Comparative figures

Certain 2013–14 comparative figures have been reclassified to conform to the presentation adopted for the 2014–15 fiscal year.

Additional financial information

The Office of the Auditor General of Canada (the Office) provides the following unaudited financial information regarding service contracts, travel and hospitality expenses, and compensation and benefits.

Table 1—Total value of service contracts

This table highlights the Office's contracting activity for services in calendar year 2014, excluding contracting activity with Other Government Departments (OGDs).

	Contracts with original value less than $25,000			Contracts with original value greater than $25,000		
	($)	Number	Percentage	($)	Number	Percentage
Competitive contracts	942,705	90	26%	3,428,321	62	94%
Non-competitive contracts	1,624,908	255	74%	379,618	4	6%
Total	**$2,567,613**	**345**	**100%**	**$3,807,939**	**66**	**100%**

All amounts include fees, expenses, amendments, and taxes. Contracts are classified based on the total original value, which includes original fees, expenses, and taxes. Contracts with a total original value of less than $25,000 are sometimes amended in accordance with the Office's contracting policy. In some cases, the total amended value may exceed $25,000; these contracts are still included under "contracts with original value less than $25,000." We are reporting that in 2014, two such contracts were amended, bringing the total value of the contract to greater than $25,000. Further disclosure can be found on the Office's website, where we report the total amended value (total original value plus any amended value) of contracts greater than $10,000.

The Auditor General's power to enter into contracts for services is set out in section 16.2 of the *Auditor General Act*. The Office is subject to the *Government Contracts Regulations*. The Auditor General's Policy on Contracting for Services requires that contracts for an estimated value of $25,000 or more be awarded through competition unless they meet one of the following criteria set out in the *Government Contracts Regulations:* the need is one of pressing urgency; it is not in the public interest to solicit bids due to the nature of the work; or there is only one person capable of performing the work. We follow the solicitation process for contracts that exceed the North American Free Trade Agreement (NAFTA) threshold.

In 2014, we awarded four contracts, totalling $379,618, on a non-competitive basis. Three of these contracts, totalling $248,427, were for legal advice related to audits. The Auditor General's contracts for legal services are exempt from *Government Contracts Regulations*. The one remaining contract, totalling $131,191, was issued for the support and maintenance services of existing proprietary software for which there is only one supplier.

Table 2—Travel and hospitality expenses

Disclosure of the travel and hospitality expenses for the Auditor General, the Commissioner of the Environment and Sustainable Development, and the assistant auditors general as well as for corporate events, is available on our website under Travel and Hospitality. The Office follows the Treasury Board Directive on Travel, Hospitality, Conference and Event Expenditures.

Table 3—Compensation and benefits

The following is a summary of compensation and selected benefits paid to Office employees by level. Office employees receive benefits comparable to other federal government employees, which are not included in this table.

Position	FTEs[1]	Salary ($)	Bilingual bonus ($)	Performance pay[2] ($)		Automobile[3] ($)	Total ($)
				Pay at risk	Bonus		
Auditor General	1	358,000[4]				9,851	367,851
Commissioner of the Environment and Sustainable Development	1	171,595–225,100		0–25,640	0–11,280		171,595–262,020
Assistant auditors general	12	171,595–204,635		0–23,300	0–10,250		171,595–238,185
Senior principals	3	123,235–178,535		0–20,350	0–8,900		123,235–207,785
Principals	41	123,235–158,940		0–12,100	0–7,950		123,235–178,990
Senior directors	1	121,156–152,142		0–10,850	0–7,150		121,156–170,142
Directors	86	106,640–127,530		0–9,700	0–6,350		106,640–143,580
Auditors	243	48,319–109,248	800		0–4,370		48,319–114,418
Audit support services	159	36,822–111,641	800				36,822–112,441
Total FTEs	547						

[1] Full-time equivalents (FTEs) used in the 2014–15 fiscal year.

[2] Amounts represent the range that levels are eligible to receive in performance pay as "pay at risk" and/or bonus.

[3] Taxable benefit for the personal use of an automobile for the 2014 calendar year.

[4] The salary of the Auditor General is set by statute under subsection 4(1) of the *Auditor General Act* and is equal to the salary of a puisne judge of the Supreme Court of Canada.

Performance management

Every year, managers are evaluated on their product and people management skills. Managers who meet or exceed their annual performance objectives earn their "pay at risk." In the 2014–15 fiscal year, managers received amounts of up to 11.4 percent of their maximum salary rates as "pay at risk," which totalled $1,771,765.

Managers who exceeded expectations were awarded bonuses ranging from one to four percent of their salaries, depending on their level and performance. In the 2014–15 fiscal year, a total of $175,105 was awarded to managers as performance bonuses.

In addition, 68 of 291 non-management auditors (23 percent) received pay for exceptional performance, which ranged from four to five percent of their maximum salary rates.

Report on staffing

The Auditor General has the staffing authorities of the Public Service Commission of Canada through the *Auditor General Act*. Because the Commission must report annually to Parliament for the previous fiscal year on matters under its jurisdiction, the Office of the Auditor General of Canada (the Office) commits to reporting annually on its staffing.

The following description takes into account the Public Service Commission's Staffing Management Accountability Framework. It summarizes the areas of accountability and identifies the indicators present in the Office. The framework is intended to ensure a values-based staffing system through which the core principles of merit and non-partisanship are applied in accordance with the core values of fairness, transparency, access, and representativeness.

Delegation of staffing and support to managers

Delegation: The Auditor General has the authority related to human resource (HR) management per the *Auditor General Act* and may delegate this authority to management. Accordingly, staffing responsibilities are exercised through a delegation of HR authorities instrument.

Knowledge and support: Managers have access to information, tools, and HR advisors to help them manage staffing activities effectively. Training for managers and HR advisors ensures that the quality of staffing transactions is a direct result of adequate and current knowledge and of authoritative advice.

Staffing plans and decisions

Planning: Human resource plans are developed on both strategic and operational levels, with retention and succession planning as key considerations.

Implementation: Staffing requirements (hires, promotions, and rotations) are identified through the planning phase. Managers address staffing requirements in collaboration with HR in accordance with the delegated HR authorities, the applicable legislation and collective agreements, and the Office's Policy on Staffing. Key risks, which include acting appointments for longer than 12 months; casual appointments to term or indeterminate status through non-advertised processes; and promotions to the executive group through non-advertised processes are proactively managed throughout staffing processes thus facilitating monitoring.

Monitoring: Human Resources conducts ongoing monitoring of staffing plans and decisions, and shares the results with senior management, providing a formal report annually that summarizes staffing decisions.

Priority entitlements

In accordance with the *Public Service Employment Act* and *Regulations* and the Work Force Adjustment Directive, the Office establishes a priority list to help it efficiently manage situations such as discontinuance of a function, organizational changes, and the return to work of employees who were on leave. Before initiating a staffing action, managers and HR advisors consult the priority list, which is updated regularly. The Office communicates regularly with the bargaining agent regarding its members who are on the priority list, and provides a monthly report.

Official languages

The Office approved the new Official Languages Strategy and is identifying new measures to monitor its implementation. The Official Languages team provides management with quarterly reports on employees' language profiles, which are used in establishing language training plans. This information allows the Office to provide staff with the training they need to improve or maintain their language levels. In the 2014–15 fiscal year, all bilingual staffing processes (100%) were completed on an imperative basis.

Complaints

In the 2014–15 fiscal year, no complaints were received regarding any staffing actions undertaken during that period.

Continuous improvement

The Office maintains an ongoing dialogue with key partners to allow it to implement improvements. Key partners include union representatives, audit professionals, and principals (PX Forum). This practice has contributed to positive results, such as the absence of complaints about staffing in the 2014–15 fiscal year. Similarly, responses to the 2014 Public Service Employee Survey indicated that 88 percent of employees believe the Office hires people who can do the job, and 78 percent of employees believe the process of selecting a person for a position is done fairly. Examples of improvements in the 2014–15 fiscal year include a standardized minimum period of time for advertised staffing and a review of the promotion processes for audit operations.

Employees' awareness of legal rights and responsibilities regarding political activities

The Office informs all employees of their rights and responsibilities regarding political activities, as specified in the Office's Code of Values, Ethics and Professional Conduct, when they are hired. In addition, employees receive reminders of these rights and responsibilities for every provincial and federal election.

List of performance audits and related work

The following lists the performance audits and related work planned for in our 2014–15 Report on Plans and Priorities (RPP), including planned and actual reporting dates. Titles reflect those in published reports.

2014 Spring Report of the Auditor General of Canada

Title	Planned reporting date listed in 2014–15 RPP	Actual reporting date	Parliamentary hearing[1]
Chapter 1—Public Sector Pension Plans	Spring 2014	May 2014	Public Accounts Committee (2 hearings)
Chapter 2—Procuring Relocation Services	Spring 2014	May 2014	
Chapter 3—Aggressive Tax Planning	Spring 2014	May 2014	Public Accounts Committee
Chapter 4—Expanding the Capacity of Penitentiaries—Correctional Service Canada	Spring 2014	May 2014	
Chapter 5—First Nations Policing Program—Public Safety Canada	Spring 2014	May 2014	
Chapter 6—Transfer Payment Programs—Canadian Northern Economic Development Agency	Spring 2014	May 2014	Public Accounts Committee
Chapter 7—Outsourcing Building Management Services—Public Works and Government Services Canada	Spring 2014	May 2014	
Chapter 8—Meeting Needs for Key Statistical Data—Statistics Canada	Spring 2014	May 2014	Public Accounts Committee
Chapter 9—Special Examinations of Crown Corporations—2013	Spring 2014	May 2014	

[1] In addition to the hearings listed above, the Office of the Auditor General of Canada participated in one parliamentary briefing and one public hearing (Public Accounts Committee) on the Spring Report as a whole.

2014 June Report of the Auditor General of Canada

Title	Planned reporting date listed in 2014–15 RPP	Actual reporting date	Parliamentary hearing
Environmental and Social Review at Export Development Canada	June 2014	June 2014	

2014 Fall Report of the Commissioner of the Environment and Sustainable Development

Title	Planned reporting date listed in 2014–15 RPP	Actual reporting date	Parliamentary hearing[1]
Chapter 1—Mitigating Climate Change	Fall 2014	October 2014	
Chapter 2—Environmental Monitoring of Oil Sands	Fall 2014	October 2014	
Chapter 3—Marine Navigation in the Canadian Arctic	Fall 2014	October 2014	
Chapter 4—Implementation of the *Canadian Environmental Assessment Act, 2012*	Fall 2014	October 2014	
Chapter 5—Departmental Progress in Implementing Sustainable Development Strategies	Fall 2014	October 2014	
Chapter 6—Environmental Petitions Annual Report	Fall 2014	October 2014	
Chapter 7—Sustainable Development of Commercial Fisheries	Fall 2014	Cancelled	

[1] The Office of the Auditor General of Canada participated in one parliamentary briefing and two public hearings (Standing Committee on Environment and Sustainable Development and Standing Senate Committee on Energy, the Environment and Natural Resources) on the Fall Report as a whole.

2014 Fall Report of the Auditor General of Canada

Title	Planned reporting date listed in 2014–15 RPP	Actual reporting date	Parliamentary hearing[1]
Chapter 1—Responding to the Onset of International Humanitarian Crises	Fall 2014	November 2014	
Chapter 2—Support for Combatting Transnational Crime	Fall 2014	November 2014	Public Accounts Committee
Chapter 3—Mental Health Services for Veterans	Fall 2014	November 2014	Public Accounts Committee
Chapter 4—Providing Relocation Services	Fall 2014	November 2014	
Chapter 5—Support to the Automotive Sector	Fall 2014	November 2014	Public Accounts Committee
Chapter 6—Nutrition North Canada—Aboriginal Affairs and Northern Development Canada	Fall 2014	November 2014	Public Accounts Committee
Chapter 7—Documentary Heritage of the Government of Canada—Library and Archives Canada	Fall 2014	November 2014	

[1] In addition to the hearings listed above, the Office of the Auditor General of Canada participated in one parliamentary briefing and one public hearing (Public Accounts Committee) on the Fall Report as a whole.

Report of the Auditor General of Canada to the Senate of Canada

Title	Planned reporting date listed in 2014–15 RPP	Actual reporting date	Parliamentary hearing
Senators' Expenses	December 2014	June 2015	

Reports to Northern Legislative Assemblies

Title	Planned reporting date listed in 2014–15 RPP	Actual reporting date	Northern Assembly hearing
Corrections in the Northwest Territories—Department of Justice	Spring 2015	March 2015	Standing Committee on Government Operations
Corrections in Yukon—Department of Justice	Spring 2015	March 2015	Standing Committee on Public Accounts
Corrections in Nunavut—Department of Justice	Spring 2015	March 2015	Standing Committee on Oversight of Government Operations and Public Accounts

List of special examinations

Crown corporation	Statutory deadline[1]	Transmission date
Canada Lands Company Limited	May 2016	July 2014
Canadian Tourism Commission	April 2016	February 2015
Royal Canadian Mint	May 2015	June 2014

[1] The *Financial Administration Act* requires a special examination to be carried out in each Crown corporation at least once every 10 years. The statutory deadline is based on this requirement.

List of internal audits and reviews

Title	Type	Completion date[1]
Report on a Review of the Annual Audit Practice—Annual Audits Completed in the 2014–15 Fiscal Year	Practice review	July 2015
Report on a Review of Direct Report Practitioners 2013–14	Practice review	November 2014
Report on a Review of the Direct Report Audit Practice—Practice Reviews Conducted on Direct Report Audits Completed in the 2014–15 Fiscal Year	Practice review	July 2015
Internal Audit of Document Management Through PROxI Implementation	Internal audit	July 2014
Monitoring Report on the System of Quality Control—2013	Management review	October 2014

[1] Reports are posted on the website of the Office of the Auditor General of Canada.

Appendix—Definitions

appropriation (*crédit*): Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures (*dépenses budgétaires*): Includes operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report (*rapport ministériel sur le rendement*): Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Report on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent (*équivalent temps plein*): Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes (*résultats du gouvernement du Canada*): A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure (*Structure de la gestion, des ressources et des résultats*): A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures (*dépenses non budgétaires*): Includes net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance (*rendement*): What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve and how well lessons learned have been identified.

performance indicator (*indicateur de rendement*): A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting (*production de rapports sur le rendement*): The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

plan (*plan*): The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

planned spending (*dépenses prévues*): For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

priorities (*priorité*): Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program (*programme*): A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture (*architecture d'alignement des programmes*): A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities (*rapport sur les plans et les priorités*): Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

result (*résultat*): An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

statutory expenditures (*dépenses législatives*): Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic Outcome (*résultat stratégique*): A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program (*programme temporarisé*): A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target (*cible*): A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

voted expenditures (*dépenses votées*): Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

whole-of-government framework (*cadre pangouvernemental*): Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.